



# Legal Assistance Foundation of Metropolitan Chicago

111 West Jackson Blvd. • Suite 300 • Chicago, Illinois 60604-3502

Telephone: (312) 341-1070 • Fax: (312) 341-1041 • TDD: (312) 431-1206 • [www.lafchicago.org](http://www.lafchicago.org)

Writer's Direct Number:

## **PREDATORY LENDING TRAINING**

**June 10, 2002**

### **Home Ownership Preservation Project @ (312) 347-8304**

1. Case Acceptance: LAF & HOPP
2. Checklist for Identifying a Predatory Loan
3. Intake Questionnaire
4. Document Review Checklist
5. Refinance Feasibility Analysis
6. Q & A



# LEGAL ASSISTANCE FOUNDATION OF METROPOLITAN CHICAGO

*Equal Access to Justice*

The Legal Assistance Foundation of Metropolitan Chicago, (LAFMC), a not-for-profit corporation, is the principal provider in Chicago of free legal services in civil law matters to individuals and families unable to afford legal counsel and now also is serving suburban Cook County. LAFMC seeks to ensure that every low-income individual and family in Chicago and suburban Cook County receives the full protection of the laws and equal justice under the law. Attorneys and paralegals dedicated to the principles of equal access to justice, and equal justice under law provide legal assistance.

Each year between 30,000-40,000 people receive legal help from LAFMC. Attorneys represent clients with legal problems in the fields of domestic violence, elder abuse, Social Security disability, consumer rights, employment, housing and landlord-tenant relations, family law, public aid, and several other areas. In addition, LAFMC has organized special projects to aid persons in certain low-income groups who are particularly vulnerable to injustices. These projects help immigrants, the disabled, children, migrant farmworkers, and suburban elderly and nursing home residents.

The Board of Directors at LAFMC includes lawyers who are selected primarily by the Chicago Bar Association, and also client representatives. The Board provides leadership and support in all areas of service.

The income eligibility standards for new clients are set forth below, except that suburban Cook County elderly and nursing home residents may be eligible for services without regard to income.

## INCOME ELIGIBILITY STANDARDS as of April 15, 2002:

Size of Family Unit	Total Income (Before Taxes) Per Month	Total Income (Before Taxes) Per Year
1 person	\$1,108	\$13,296
2 persons	1,493	17,914
3 persons	1,877	22,524
4 persons	2,262	27,144
5 persons	2,647	31,764

Revised: April, 2002

## GENERAL OFFICE

111 West Jackson Boulevard, 3rd Floor  
Chicago, IL 60604  
(312) 341-1070  
TDD: (312) 431-1206  
FAX: (312) 341-1041

## SPECIAL PROJECTS

Children's Law Project  
Disability Law Project  
Home Ownership Preservation Project  
Private Attorney Involvement Project  
Project SAFE Domestic Violence  
Women's Law Project

Crime Victims Assistance Project  
(773) 638-4111  
TDD: (773) 265-2019

Divorce and Family Law Project  
(312) 341-1046

HIV/AIDS Project  
(312) 347-8309

Legal Services Center for Immigrants  
(312) 341-9617

Public Benefits Hotline  
(888) 893-5327

Suburban Nursing Home Ombudsman Project  
(847) 475-3703

Suburban Seniors Legal Services  
(847) 475-3703; (773) 638-2343; (708) 339-5550

SSI ADVOCACY PROJECT  
407 South Dearborn Street, Suite 350  
Chicago, Illinois 60605  
(312) 427-5200  
TDD: (312) 427-5150  
FAX: (312) 427-0381

Civil Rights Investigations  
407 South Dearborn Street, Suite 350  
Chicago, Illinois 60605  
(312) 427-5200  
FAX: (312) 427-0381

Illinois Migrant Legal Assistance Project  
407 South Dearborn Street, Suite 350  
Chicago, Illinois 60605  
(312) 341-9180  
FAX: (312) 427-0381

## GENERAL INTAKE OFFICES

CENTRAL INTAKE  
111 West Jackson Boulevard, 3rd Floor  
Chicago, Illinois 60604  
(312) 341-1070  
TDD: (312) 431-1206  
FAX: (312) 341-1041

NORTHWEST OFFICE  
1279 N. Milwaukee Avenue - #407  
Chicago, Illinois 60622  
(773) 572-3200  
TDD: (773) 489-4502  
FAX: (773) 572-3201

SOUTH SIDE OFFICE  
10 West 35th Street  
Chicago, Illinois 60616  
(312) 949-5390  
TDD: (312) 949-0771  
FAX: (312) 949-0481

WEST SIDE OFFICE  
3333 West Arthington Street  
Chicago, Illinois 60624  
(773) 638-2343  
TDD: (773) 265-2019  
FAX: (773) 638-0036  
Call this office to set up interviews for the western suburbs of Cook County.

NORTH SUBURBAN OFFICE  
828 Davis Street, Suite 201  
Evanston, IL 60201  
(847) 475-3703  
FAX: (847) 475-3033  
Call this office to set up interviews for the northern suburbs of Cook County.

SOUTH SUBURBAN OFFICE  
15325 South Page Avenue  
Harvey, IL 60426  
(708) 339-5550  
FAX: (708) 339-5533  
Call this office to set up interviews for the southern suburbs of Cook County.

**LAFMC & HOPP Income Guidelines (as of 4/15/02)**

<b><u>HH</u></b>	<b><u>Neighborhoods</u></b>			<b><u>HOPP</u></b>		
1	0	→	1,108	1,109	→	3,175
2	0	→	1,493	1,494	→	3,625
3	0	→	1,877	1,878	→	4,079
4	0	→	2,262	2,263	→	4,533
5	0	→	2,647	2,648	→	4,896
6	0	→	3,032	3,033	→	5,258
7	0	→	3,418	3,419	→	5,621
8	0	→	3,803	3,804	→	5,983

## **TABLE OF CONTENTS**

1. Checklist for Identifying a Predatory Loan
2. Intake Questionnaire
3. Identifying a Predatory Loan: Document Review Checklist
4. Sample TILA Disclosure Statement
5. Sample Notice of Right to Cancel
6. Sample HUD-1A Settlement Statement (Examples 1 & 2)
7. Sample Section 32 ( HOEPA) Notice
8. Sample Mortgage Note
9. Rates on 30-year Treasury Constant Maturities
10. HOEPA/Ilinois anti-predatory lending regs points and fees analysis
11. Regulators of Mortgage Lenders Operating in Illinois
12. Contact Information/Key Internet Links
13. Overview of Illinois Anti-Predatory Lending State Regulations and Provisions
14. TILA/HOEPA Fees Checklist

## **CHECKLIST FOR IDENTIFYING A PREDATORY LOAN**

### **Marketing & Sales**

- 1 Aggressive solicitations of targeted neighborhoods**
- 2 Steering to high rate lenders**
- 3 Door-to-door solicitation of home improvement or financing arranged by contractor**
- 4 Incomplete or inadequate home improvement work**
- 5 Large fees or kickbacks paid to the mortgage broker**
- 6 Making loans to mentally incapacitated homeowners**
- 7 Paying off low-rate mortgages**
- 8 Shifting unsecured debt into mortgages**
- 9 Loans in excess of 100% LTV**

### **The Application**

- 10 Falsifying loan applications (particularly regarding income level)**
- 11 Forged signatures**
- 12 Adding insincere co-signers**

### **The Loan**

- 13 High interest rate (APR)**
- 14 High fees and closing costs**
- 15 Balloon payments**
- 16 Negative amortization**
- 17 Inflated appraisal costs**
- 18 Padded recording fees**
- 19 Bogus broker fees**
- 20 Back-dating of documents**
- 21 Charging for duplicative services**
- 22 Requiring credit insurance**
- 23 Mandatory arbitration clauses**
- 24 Making an unaffordable loan based on the value of the property**

### **The Closing**

- 25 Rushed loan closing**
- 26 Terms at closing different from what the borrowers thought they would get**

### **After Closing**

- 27 Multiple refinancing or "flipping" (often after high-pressure sales)**
- 28 Excessive late fees (including daily interest)**
- 29 Abusive collection practices**
- 30 Excessive prepayment penalties**

**LEGAL ASSISTANCE FOUNDATION OF METROPOLITAN CHICAGO -**  
**FORECLOSURE INTAKE QUESTIONNAIRE**

**BACKGROUND INFORMATION**

**Referred by:**

**Name:**

**Property address:**

**Principal residence? If not, where do you live ?**

**Who lives in the home with you?**

**Single family home? Multi unit building? If so, how many units?**

**If a multi unit building, how many units are rented?**

**Rental income?**

**Current household income?**

**When did you purchase the property/How long have you lived there?**

**Purchase price?**

**Name(s) on the title?**

**Original mortgage amount? Monthly payments?**

**Existing mortgage amount?**

**Current monthly payment amount?**

**Does your monthly mortgage payment include taxes and insurance?**

**If you must pay your own taxes, have you made every payment? When is the last time you paid your taxes? When was the last time you paid your insurance?**

**Current on mortgage payments?**

**Last time made payment to mortgage company?**

**Last time payment accepted by mortgage company?**

**Reason fell behind (if applicable).**

**If you are behind in your payments, do you have any money set aside? How much?**

**Do you have a second mortgage on the property (how many mortgage payments are you supposed to make every month)?**

**If you have a second mortgage, is it current? When did you obtain it? For what reason? For how much? Who is the lender?**

**How much is your house worth today?**

### **CREDIT HISTORY**

**Are you current on your utility bills?**

**Do you have debt, other than your mortgage? (car loan, personal loan, medical bills etc.)**

**Before you refinanced your loan, did you stay current on your monthly mortgage payments?**

**Have you *ever* filed bankruptcy? If so, when? Chapter 7 or Chapter 13? If Chapter 13, how much are your monthly bankruptcy payments? Are you current in your bankruptcy payments?**

### **MORTGAGE HISTORY**

**Have you refinanced the original mortgage?**

**How many times?**

**Last time refinanced?**

**For each refinancing starting with the most recent loan transaction:**

**When did you obtain the loan?**

**What was the amount of the loan?**

**Did you get any cash from the transaction?**

**Who was the original lender?**

**Was there a broker involved? Name of the broker for each transaction?**

**Reason for refinancing? i.e. home repairs, pay tax arrearage, pay other bills, lower monthly payment,**

**If you obtained loan to make home repairs, name of home repair company used to do work?**

**What repairs were they supposed to do?**

**Did they complete the repairs satisfactorily? Explain.**

**How did you come to contact the repair company? i.e. response to mail solicitation, door to door solicitation, phone call.**

**Did you sign a home repair contract?**

**Were you given a copy?**

**Did the home repair company refer you to the lender/mortgage broker to obtain the money to pay for the work?**

**How did you come to contact this specific lender/broker. i.e. referral from a friend/relative, mail solicitation, phone solicitation. door to door solicitation?**

**How many times did you meet with the broker/lender prior to closing the loan?**

**What was told to you by the broker/lender about the terms of your proposed loan (i.e. fixed rate, adjustable rate, interest rate, monthly payment amount, balloon payments) at the time of your initial application?**

**What was told to you by the broker/lender about the terms of your loan at the time of the loan closing?**

**What was your income at time you refinanced? Has there been a change in your income?**

**Did your monthly mortgage payment include taxes and insurance?**

**As a result of the refinancing, did your payments increase or decrease from your previous mortgage payments? By how much?**



## **STATUS OF COURT CASE**

**Have you received court papers? When did you first receive court papers?**

**Have you filed an appearance? Have you filed an answer?**

**Have you been to court? When? Next court date?**

## Identifying a Predatory Loan: Document Review Checklist

### 1. What do you look at?

You can get most of what you need from the following five loan documents:

- (1) TILA Disclosure
- (2) Notice of Right to Cancel
- (3) HUD-1 or HUD-1A Settlement Statement
- (4) Section 32 (or "HOEPA") Notice
- (5) Mortgage Note

(nb: In some cases another important document is the loan application--if, for example, from talking to the client, there appears to be a "bait-and-switch" on the interest rate and/or loan amount, or if it appears that there is falsified income.)

### 2. What do you look for?

Violations of the following federal and state laws may entitle the borrower to a substantial reduction in the amount they owe on a refinance or home equity loan.

#### Federal laws

TILA (Truth in Lending Act):

- (1) Does the TILA Disclosure accurately and conspicuously display the APR, Finance Charge, Amount Financed, Total of Payments, and Payment Schedule?
- (2) Do the numbers add up? (Do the payments listed under the Payment Schedule add up to the Total of Payments? Do the Finance Charge and Amount Financed add up to the Total of Payments?)
- (3) Did the lender provide a (3-day) Notice of Right to Cancel, with the proper end-date written in?

HOEPA (Home Ownership and Equity Protection Act):

- (1) Is the loan covered by HOEPA? To be covered by HOEPA, the loan must exceed either the APR threshold or the fees threshold. APR threshold: Is the APR is more than 10% above applicable T-bill rate from the 15<sup>th</sup> of the month before the date of the loan application? (If APR is above 15%, check T-bill rates.) Fees threshold: Do HOEPA fees total more than 8% of the "total loan amount" (defined as the Amount Financed)? HOEPA fees include fees paid to the lender or broker, plus any non-bona fide (junk) fees or unreasonable charges (e.g., appraisal fee over \$400 or credit report over \$15).
- (2) If the loan is covered by HOEPA, did the lender give the required Section 32 Notice three days prior to the closing of the loan?

- (3) If the loan is covered by HOEPA, does it include a prohibited term? These include prepayment penalties after five years, an interest rate increase upon default, and balloon payments on loans of less than five years.

**RESPA (Real Estate Settlement Procedures Act):**

- (1) Does the HUD-1 or HUD-1A show a yield-spread premium (or "YSP") paid to a broker?
- (2) If so, is there also a separate broker fee listed? If it is substantial (e.g., \$1,000 or more), than the yield-spread premium may be an illegal kickback.

**State laws**

**Illinois anti-predatory lending regulations:**

- (1) Is the lender covered by the regs? (See Regulators of Mortgage Lenders Operating in Illinois and Contact Information/Key Internet Links.)
- (2) If so, is the loan covered by the regs? Was the loan signed on or after May 17, 2001?
- (3) Is the loan covered by HOEPA? To be covered by HOEPA, the loan must exceed either the APR threshold or the fees threshold. **APR threshold:** Is the APR is more than 6% above applicable T-bill rate from the 15<sup>th</sup> of the month before the date of the loan application? (If APR is above 11%, check T-bill rates.) **Fees threshold:** Do fees total more than 5% of the "total loan amount" (defined as the Amount Financed)? Fees include fees paid to the lender or broker (including yield-spread premium and single-premium credit insurance), plus any non-bona fide (junk) fees or unreasonable charges (e.g., appraisal fee over \$400 or credit report over \$15).
- (4) If the loan is covered by the regs, does it include prohibited fees? Fees financed by the loan cannot exceed 6%.
- (5) If the loan is covered by the regs, does it include prohibited terms? These include prepayment penalties after three years, single-premium credit insurance, and balloon payments on loans of less than fifteen years. (See Overview of Illinois Anti-Predatory Lending State Regulations and Provisions.)

**Illinois Interest Act:**

- (1) Is the loan a junior lien (a second mortgage or a home equity loan taken out after a mortgage)?
- (2) If so, does the loan have an interest rate higher than 8% and lender fees above 3% of the principal amount?

ANNUAL PERCENTAGE RATE <small>The cost of your credit as a yearly rate.</small>	FINANCE CHARGE <small>The dollar amount the credit will cost you.</small>	Amount Financed <small>The amount of credit provided to you or on your behalf.</small>	Total of Payments <small>The amount you will have paid after you have made all payments as scheduled.</small>
14.321 %	\$66,389.98	\$54,875.00	\$121,264.98

You have the right to receive at this time an Itemization of the Amount Financed.

☐ I want an itemization. ☒ I do not want an itemization.

Your payment schedule will be:

Number of Payments	Amount of Payments	When Payments Are Due
119	\$739.51	Monthly beginning July 1, 2001
1	\$33,263.29	June 1, 2011

#### Insurance

Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. <small>Signature</small>
Credit Disability		I want credit disability insurance. <small>Signature</small>
Credit Life and Disability		I want credit life and disability insurance. <small>Signature</small>

You may obtain property insurance from anyone you want that is acceptable to **Loans 'R Us** (creditor). If you get the insurance from (creditor), you will pay \$\_\_\_\_\_.

Security: You are giving a security interest in: 111 W. Main, Anytown, USA

- ☐ the goods or property being purchased.  
☐ (brief description of other property).

Filing fee \$ 65.00 Non-filing insurance \$ \_\_\_\_\_

Late Charge: If a payment is late, you will be charged \$ \_\_\_\_\_ / 5 % of the payment.

Prepayment: If you pay off early, you

- ☒ may ☐ will not have to pay a penalty.  
☐ may ☒ will not be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

\_\_\_\_\_ means an estimate

# NOTICE OF RIGHT TO CANCEL

Loan Number: EZ-AS-123  
Borrowers: John and Jane Doe  
111 W. Main, Anytown, USA

Date: June 11, 2001

Property Address:

## YOUR RIGHT TO CANCEL:

You are entering into a transaction that will result in a mortgage, lien, or security interest on/in your home. You have a legal right under federal law to cancel this transaction, without cost, within THREE BUSINESS DAYS from whichever of the following events occurs last:

1. the date of the transaction, which is June 11, 2001 ; or
2. the date you receive your Truth in Lending disclosures; or
3. the date you receive this notice of your right to cancel.

If you cancel the transaction, the mortgage, lien, or security interest is also cancelled. Within 20 CALENDAR DAYS after we receive your notice, we must take the steps necessary to reflect the fact that the mortgage, lien, or security interest on/in your home has been cancelled, and we must return to you any money or property you have given to us or to anyone else in connection with this transaction.

You may keep any money or property we have given you until we have done the things mentioned above, but you must then offer to return the money or property. If it is impractical or unfair for you to return the property, you must offer its reasonable value. You may offer to return the property at your home or at the location of the property. Money must be returned to the address below. If we do not take possession of the money or property within 20 CALENDAR DAYS of your offer, you may keep it without further obligation.

## HOW TO CANCEL:

If you decide to cancel this transaction, you may do so by notifying us in writing.

Name of Creditor: LOANS 'R US  
at 111 W. Commerce  
Capital Heights, USA

You may use any written statement that is signed and dated by you and states your intention to cancel, or you may use this notice by dating and signing below. Keep one copy of this notice because it contains important information about your rights.

If you cancel by mail or telegram, you must send a notice no later than midnight of June 14, 2001 (or midnight of the THIRD BUSINESS DAY following the latest of the three events listed above.) If you send or deliver your written notice to cancel some other way, it must be delivered to the above address no later than that time.

I WISH TO CANCEL

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

I/WE ACKNOWLEDGE RECEIPT OF TWO COPIES OF NOTICE OF RIGHT TO CANCEL AND ONE COPY OF THE FEDERAL TRUTH-IN-LENDING DISCLOSURE STATEMENT, ALL GIVEN BY LENDER IN COMPLIANCE WITH TRUTH-IN-LENDING SIMPLIFICATION AND REFORM ACT OF 1980 (PUBLIC LAW 96-221).

Each borrower in this transaction has the right to cancel. The exercise of this right by one borrower shall be effective as to all borrowers.

\_\_\_\_\_  
Borrower's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Borrower's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Borrower's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Borrower's Signature

\_\_\_\_\_  
Date

**Settlement Statement**  
Optional Form for  
Transactions without Sellers

U.S. Department of Housing  
and Urban Development

OMB Approval No. 2502-0491

<b>Name &amp; Address of Borrower:</b> John and Jane Doe 111 W. Main Anytown, USA		<b>Name &amp; Address of Lender:</b> Loans 'R Us 111 W. Commerce Capital Heights, USA	
<b>Property Location: (If different from above)</b> 111 W. Main Anytown, USA		<b>Settlement Agent:</b> Titles 'R Us <b>Place of Settlement:</b> 111 W. Property Way, Anytown, USA	
<b>Loan Number:</b> EZ-AS-123		<b>Settlement Date:</b> June 11, 2001	

  

<b>L. Settlement Charges</b> <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td colspan="4"><b>999. Items Payable in Connection with Loan</b></td></tr> <tr> <td style="width:40%;">901. Loan origination fee</td> <td style="width:20%;">3 % to Loans 'R Us</td> <td style="width:20%;"></td> <td style="width:20%; text-align: right;">1,800.00</td> </tr> <tr> <td>902. Loan discount</td> <td>% to</td> <td></td> <td></td> </tr> <tr> <td>903. Appraisal fee to</td> <td>Loans 'R Us</td> <td></td> <td style="text-align: right;">600.00</td> </tr> <tr> <td>904. Credit report to</td> <td>Loans 'R Us</td> <td></td> <td style="text-align: right;">75.00</td> </tr> <tr> <td>905. Inspection fee to</td> <td></td> <td></td> <td></td> </tr> <tr> <td>906. Mortgage insurance application fee to</td> <td></td> <td></td> <td></td> </tr> <tr> <td>907. Mortgage broker fee to</td> <td>Brokers 'R Us</td> <td></td> <td style="text-align: right;">1,000.00</td> </tr> <tr> <td>908. Processing fee to</td> <td>Loans 'R Us</td> <td></td> <td style="text-align: right;">400.00</td> </tr> <tr> <td>909. Underwriting fee to</td> <td>Loans 'R Us</td> <td></td> <td style="text-align: right;">600.00</td> </tr> <tr> <td>910. CVF fee to</td> <td>Loans 'R Us</td> <td></td> <td style="text-align: right;">300.00</td> </tr> <tr> <td>911. YSP to broker</td> <td>\$1,000 POC</td> <td></td> <td></td> </tr> <tr><td colspan="4"><b>999. Items Required by Lender to be Paid in Advance</b></td></tr> <tr> <td>901. Interest from 6/11/01 to 7/1/01</td> <td>@ \$ 22.50 per day</td> <td></td> <td style="text-align: right;">450.00</td> </tr> <tr> <td>902. Mortgage insurance premium for</td> <td>months to</td> <td></td> <td></td> </tr> <tr> <td>903. Hazard insurance premium for</td> <td>1 year(s) to Hazco</td> <td></td> <td style="text-align: right;">500.00</td> </tr> <tr><td colspan="4"><b>904.</b></td></tr> <tr><td colspan="4"><b>1000. Reserves Deposited with Lender</b></td></tr> <tr> <td>1001. Hazard insurance</td> <td>months @ \$</td> <td>per month</td> <td></td> </tr> <tr> <td>1002. Mortgage insurance</td> <td>months @ \$</td> <td>per month</td> <td></td> </tr> <tr> <td>1003. City property taxes</td> <td>months @ \$</td> <td>per month</td> <td></td> </tr> <tr> <td>1004. County property taxes</td> <td>months @ \$</td> <td>per month</td> <td></td> </tr> <tr> <td>1005. Annual assessments</td> <td>months @ \$</td> <td>per month</td> <td></td> </tr> <tr> <td>1006.</td> <td>months @ \$</td> <td>per month</td> <td></td> </tr> <tr> <td>1007.</td> <td>months @ \$</td> <td>per month</td> <td></td> </tr> <tr> <td>1008.</td> <td>months @ \$</td> <td>per month</td> <td></td> </tr> <tr><td colspan="4"><b>1100. Title Charges</b></td></tr> <tr> <td>1101. Settlement or closing fee to</td> <td>Titles 'R Us</td> <td></td> <td style="text-align: right;">175.00</td> </tr> <tr><td colspan="4">1102. Abstract or title search to</td></tr> <tr><td colspan="4">1103. Title examination to</td></tr> <tr><td colspan="4">1104. Title insurance binder to</td></tr> <tr><td colspan="4">1105. Document preparation to</td></tr> <tr><td colspan="4">1106. Notary fees to</td></tr> <tr> <td>1107. Attorney's fees to</td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="4">(includes above item numbers )</td> </tr> <tr> <td>1108. Title insurance to</td> <td>Titles 'R Us</td> <td></td> <td></td> </tr> <tr> <td colspan="4">(includes above item numbers 1102, 1103, 1104 )</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">375.00</td> </tr> <tr><td colspan="4">1109. Lender's coverage \$</td></tr> <tr><td colspan="4">1110. Owner's coverage \$</td></tr> <tr><td colspan="4">1111.</td></tr> <tr><td colspan="4">1112.</td></tr> <tr><td colspan="4">1113.</td></tr> <tr><td colspan="4"><b>1200. Government Recording and Transfer Charges</b></td></tr> <tr> <td>1201. Recording fees: Mortgage</td> <td>\$35.00</td> <td>Release \$30.00</td> <td style="text-align: right;">65.00</td> </tr> <tr><td colspan="4">1202. City/county tax/stamps:</td></tr> <tr><td colspan="4">1203. State tax/stamps:</td></tr> <tr><td colspan="4">1204.</td></tr> <tr><td colspan="4">1205.</td></tr> <tr><td colspan="4"><b>1300. Additional Settlement Charges</b></td></tr> <tr><td colspan="4">1301. Survey to</td></tr> <tr><td colspan="4">1302. Pest inspection to</td></tr> <tr><td colspan="4">1303. Architectural/engineering services to</td></tr> <tr><td colspan="4">1304. Building permit to</td></tr> <tr><td colspan="4">1305.</td></tr> <tr><td colspan="4">1306.</td></tr> <tr><td colspan="4">1307.</td></tr> <tr> <td colspan="3">1400. Total Settlement Charges (enter on line 1602)</td> <td style="text-align: right;">6,240.00</td> </tr> </table>	<b>999. Items Payable in Connection with Loan</b>				901. Loan origination fee	3 % to Loans 'R Us		1,800.00	902. Loan discount	% to			903. Appraisal fee to	Loans 'R Us		600.00	904. Credit report to	Loans 'R Us		75.00	905. Inspection fee to				906. Mortgage insurance application fee to				907. Mortgage broker fee to	Brokers 'R Us		1,000.00	908. Processing fee to	Loans 'R Us		400.00	909. Underwriting fee to	Loans 'R Us		600.00	910. CVF fee to	Loans 'R Us		300.00	911. YSP to broker	\$1,000 POC			<b>999. Items Required by Lender to be Paid in Advance</b>				901. Interest from 6/11/01 to 7/1/01	@ \$ 22.50 per day		450.00	902. Mortgage insurance premium for	months to			903. Hazard insurance premium for	1 year(s) to Hazco		500.00	<b>904.</b>				<b>1000. Reserves Deposited with Lender</b>				1001. Hazard insurance	months @ \$	per month		1002. Mortgage insurance	months @ \$	per month		1003. City property taxes	months @ \$	per month		1004. County property taxes	months @ \$	per month		1005. Annual assessments	months @ \$	per month		1006.	months @ \$	per month		1007.	months @ \$	per month		1008.	months @ \$	per month		<b>1100. Title Charges</b>				1101. Settlement or closing fee to	Titles 'R Us		175.00	1102. Abstract or title search to				1103. Title examination to				1104. Title insurance binder to				1105. Document preparation to				1106. Notary fees to				1107. Attorney's fees to				(includes above item numbers )				1108. Title insurance to	Titles 'R Us			(includes above item numbers 1102, 1103, 1104 )							375.00	1109. Lender's coverage \$				1110. Owner's coverage \$				1111.				1112.				1113.				<b>1200. Government Recording and Transfer Charges</b>				1201. Recording fees: Mortgage	\$35.00	Release \$30.00	65.00	1202. City/county tax/stamps:				1203. State tax/stamps:				1204.				1205.				<b>1300. Additional Settlement Charges</b>				1301. Survey to				1302. Pest inspection to				1303. Architectural/engineering services to				1304. Building permit to				1305.				1306.				1307.				1400. Total Settlement Charges (enter on line 1602)			6,240.00	<b>M. Disbursement to Others</b> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:40%;">1501. All-American Finance Co.</td> <td style="width:60%; text-align: right;">42,000.00</td> </tr> <tr> <td>1502. Capital One</td> <td style="text-align: right;">6,200.00</td> </tr> <tr> <td>1503. Sears</td> <td style="text-align: right;">500.00</td> </tr> <tr><td>1504.</td><td></td></tr> <tr><td>1505.</td><td></td></tr> <tr><td>1506.</td><td></td></tr> <tr><td>1507.</td><td></td></tr> <tr><td>1508.</td><td></td></tr> <tr><td>1509.</td><td></td></tr> <tr><td>1510.</td><td></td></tr> <tr><td>1511.</td><td></td></tr> <tr><td>1512.</td><td></td></tr> <tr><td>1513.</td><td></td></tr> <tr><td>1514.</td><td></td></tr> <tr><td>1515.</td><td></td></tr> <tr> <td>1629. TOTAL DISBURSED (enter on line 1603)</td> <td style="text-align: right;">48,700.00</td> </tr> </table> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td colspan="2"><b>N. NET SETTLEMENT</b></td> </tr> <tr> <td>1600. Loan Amount</td> <td style="text-align: right;">\$ 80,000.00</td> </tr> <tr> <td>1601. Plus Cash/Check from Borrower</td> <td style="text-align: right;">\$</td> </tr> <tr> <td>1602. Minus Total Settlement Charges (line 1400)</td> <td style="text-align: right;">\$ 6,240.00</td> </tr> <tr> <td>1603. Minus Total Disbursements to Others (line 1629)</td> <td style="text-align: right;">\$ 48,700.00</td> </tr> <tr> <td>1604. Equals Disbursements to Borrower (after expiration of any applicable rescission period required by law)</td> <td style="text-align: right;">\$ 5,060.00</td> </tr> </table>	1501. All-American Finance Co.	42,000.00	1502. Capital One	6,200.00	1503. Sears	500.00	1504.		1505.		1506.		1507.		1508.		1509.		1510.		1511.		1512.		1513.		1514.		1515.		1629. TOTAL DISBURSED (enter on line 1603)	48,700.00	<b>N. NET SETTLEMENT</b>		1600. Loan Amount	\$ 80,000.00	1601. Plus Cash/Check from Borrower	\$	1602. Minus Total Settlement Charges (line 1400)	\$ 6,240.00	1603. Minus Total Disbursements to Others (line 1629)	\$ 48,700.00	1604. Equals Disbursements to Borrower (after expiration of any applicable rescission period required by law)	\$ 5,060.00
<b>999. Items Payable in Connection with Loan</b>																																																																																																																																																																																																																																																																																					
901. Loan origination fee	3 % to Loans 'R Us		1,800.00																																																																																																																																																																																																																																																																																		
902. Loan discount	% to																																																																																																																																																																																																																																																																																				
903. Appraisal fee to	Loans 'R Us		600.00																																																																																																																																																																																																																																																																																		
904. Credit report to	Loans 'R Us		75.00																																																																																																																																																																																																																																																																																		
905. Inspection fee to																																																																																																																																																																																																																																																																																					
906. Mortgage insurance application fee to																																																																																																																																																																																																																																																																																					
907. Mortgage broker fee to	Brokers 'R Us		1,000.00																																																																																																																																																																																																																																																																																		
908. Processing fee to	Loans 'R Us		400.00																																																																																																																																																																																																																																																																																		
909. Underwriting fee to	Loans 'R Us		600.00																																																																																																																																																																																																																																																																																		
910. CVF fee to	Loans 'R Us		300.00																																																																																																																																																																																																																																																																																		
911. YSP to broker	\$1,000 POC																																																																																																																																																																																																																																																																																				
<b>999. Items Required by Lender to be Paid in Advance</b>																																																																																																																																																																																																																																																																																					
901. Interest from 6/11/01 to 7/1/01	@ \$ 22.50 per day		450.00																																																																																																																																																																																																																																																																																		
902. Mortgage insurance premium for	months to																																																																																																																																																																																																																																																																																				
903. Hazard insurance premium for	1 year(s) to Hazco		500.00																																																																																																																																																																																																																																																																																		
<b>904.</b>																																																																																																																																																																																																																																																																																					
<b>1000. Reserves Deposited with Lender</b>																																																																																																																																																																																																																																																																																					
1001. Hazard insurance	months @ \$	per month																																																																																																																																																																																																																																																																																			
1002. Mortgage insurance	months @ \$	per month																																																																																																																																																																																																																																																																																			
1003. City property taxes	months @ \$	per month																																																																																																																																																																																																																																																																																			
1004. County property taxes	months @ \$	per month																																																																																																																																																																																																																																																																																			
1005. Annual assessments	months @ \$	per month																																																																																																																																																																																																																																																																																			
1006.	months @ \$	per month																																																																																																																																																																																																																																																																																			
1007.	months @ \$	per month																																																																																																																																																																																																																																																																																			
1008.	months @ \$	per month																																																																																																																																																																																																																																																																																			
<b>1100. Title Charges</b>																																																																																																																																																																																																																																																																																					
1101. Settlement or closing fee to	Titles 'R Us		175.00																																																																																																																																																																																																																																																																																		
1102. Abstract or title search to																																																																																																																																																																																																																																																																																					
1103. Title examination to																																																																																																																																																																																																																																																																																					
1104. Title insurance binder to																																																																																																																																																																																																																																																																																					
1105. Document preparation to																																																																																																																																																																																																																																																																																					
1106. Notary fees to																																																																																																																																																																																																																																																																																					
1107. Attorney's fees to																																																																																																																																																																																																																																																																																					
(includes above item numbers )																																																																																																																																																																																																																																																																																					
1108. Title insurance to	Titles 'R Us																																																																																																																																																																																																																																																																																				
(includes above item numbers 1102, 1103, 1104 )																																																																																																																																																																																																																																																																																					
			375.00																																																																																																																																																																																																																																																																																		
1109. Lender's coverage \$																																																																																																																																																																																																																																																																																					
1110. Owner's coverage \$																																																																																																																																																																																																																																																																																					
1111.																																																																																																																																																																																																																																																																																					
1112.																																																																																																																																																																																																																																																																																					
1113.																																																																																																																																																																																																																																																																																					
<b>1200. Government Recording and Transfer Charges</b>																																																																																																																																																																																																																																																																																					
1201. Recording fees: Mortgage	\$35.00	Release \$30.00	65.00																																																																																																																																																																																																																																																																																		
1202. City/county tax/stamps:																																																																																																																																																																																																																																																																																					
1203. State tax/stamps:																																																																																																																																																																																																																																																																																					
1204.																																																																																																																																																																																																																																																																																					
1205.																																																																																																																																																																																																																																																																																					
<b>1300. Additional Settlement Charges</b>																																																																																																																																																																																																																																																																																					
1301. Survey to																																																																																																																																																																																																																																																																																					
1302. Pest inspection to																																																																																																																																																																																																																																																																																					
1303. Architectural/engineering services to																																																																																																																																																																																																																																																																																					
1304. Building permit to																																																																																																																																																																																																																																																																																					
1305.																																																																																																																																																																																																																																																																																					
1306.																																																																																																																																																																																																																																																																																					
1307.																																																																																																																																																																																																																																																																																					
1400. Total Settlement Charges (enter on line 1602)			6,240.00																																																																																																																																																																																																																																																																																		
1501. All-American Finance Co.	42,000.00																																																																																																																																																																																																																																																																																				
1502. Capital One	6,200.00																																																																																																																																																																																																																																																																																				
1503. Sears	500.00																																																																																																																																																																																																																																																																																				
1504.																																																																																																																																																																																																																																																																																					
1505.																																																																																																																																																																																																																																																																																					
1506.																																																																																																																																																																																																																																																																																					
1507.																																																																																																																																																																																																																																																																																					
1508.																																																																																																																																																																																																																																																																																					
1509.																																																																																																																																																																																																																																																																																					
1510.																																																																																																																																																																																																																																																																																					
1511.																																																																																																																																																																																																																																																																																					
1512.																																																																																																																																																																																																																																																																																					
1513.																																																																																																																																																																																																																																																																																					
1514.																																																																																																																																																																																																																																																																																					
1515.																																																																																																																																																																																																																																																																																					
1629. TOTAL DISBURSED (enter on line 1603)	48,700.00																																																																																																																																																																																																																																																																																				
<b>N. NET SETTLEMENT</b>																																																																																																																																																																																																																																																																																					
1600. Loan Amount	\$ 80,000.00																																																																																																																																																																																																																																																																																				
1601. Plus Cash/Check from Borrower	\$																																																																																																																																																																																																																																																																																				
1602. Minus Total Settlement Charges (line 1400)	\$ 6,240.00																																																																																																																																																																																																																																																																																				
1603. Minus Total Disbursements to Others (line 1629)	\$ 48,700.00																																																																																																																																																																																																																																																																																				
1604. Equals Disbursements to Borrower (after expiration of any applicable rescission period required by law)	\$ 5,060.00																																																																																																																																																																																																																																																																																				

Borrower(s) Signature(s):

X

(Example 1)

form HUD-1A (2/94)  
ref. RESPA

**Settlement Statement**  
Optional Form for  
Transactions without Sellers

U.S. Department of Housing  
and Urban Development

OMB Approval No. 2502-0491

<b>Name &amp; Address of Borrower:</b> John and Jane Doe 111 W. Main Anytown, USA		<b>Name &amp; Address of Lender:</b> Loans 'R Us 111 W. Commerce Capital Heights, USA	
<b>Property Location: (If different from above)</b> 111 W. Main Anytown, USA		<b>Settlement Agent:</b> Titles 'R Us	
		<b>Place of Settlement:</b> 111 W. Property Way, Anytown, USA	
<b>Loan Number:</b> EZ-AS-123		<b>Settlement Date:</b> June 11, 2001	

  

L. Settlement Charges				M. Disbursement to Others	
<b>999. Items Payable in Connection with Loan</b>					
901. Loan origination fee	% to Loans 'R Us		400.00	1501. All-American Finance Co.	42,000.00
902. Loan discount	% to			1502. Capital One	6,200.00
903. Appraisal fee to	Appraisers 'R Us	200.00		1503. Sears	500.00
904. Credit report to	Loans 'R Us	75.00		1504.	
905. Inspection fee to				1505.	
906. Mortgage insurance application fee to				1506.	
907. Mortgage broker fee to	Brokers 'R Us	1,000.00		1507.	
908. Processing fee to	Loans 'R Us	400.00		1508.	
909. Underwriting fee to	Loans 'R Us	500.00		1509.	
910. CVF fee to	Loans 'R Us	300.00		1510.	
911. YSP to broker	\$1,000 POC			1511.	
<b>999. Items Required by Lender to be Paid in Advance</b>				1512.	
901. Interest from 6/11/01 to 7/1/01	@ \$ 22.50 per day	450.00		1513.	
902. Mortgage insurance premium for	months to			1514.	
903. Hazard insurance premium for	1 year(s) to Hazco	500.00		1515.	
904.				<b>1529. TOTAL DISBURSED (enter on line 1603)</b>	<b>48,700.00</b>
<b>1000. Reserves Deposited with Lender</b>					
1001. Hazard insurance	months @ \$	per month			
1002. Mortgage insurance	months @ \$	per month			
1003. City property taxes	months @ \$	per month			
1004. County property taxes	months @ \$	per month			
1005. Annual assessments	months @ \$	per month			
1006.	months @ \$	per month			
1007.	months @ \$	per month			
1008.	months @ \$	per month			
<b>1100. Title Charges</b>					
1101. Settlement or closing fee to	Titles 'R Us	175.00			
1102. Abstract or title search to					
1103. Title examination to					
1104. Title insurance binder to					
1105. Document preparation to					
1106. Notary fees to					
1107. Attorney's fees to					
(includes above item numbers )					
1108. Title insurance to	Titles 'R Us				
(includes above item numbers 1102, 1103, 1104 )			375.00		
1109. Lender's coverage	\$				
1110. Owner's coverage	\$				
1111.					
1112.					
1113.					
<b>1200. Government Recording and Transfer Charges</b>					
1201. Recording fees: Mortgage \$35.00 Release \$30.00		65.00		<b>N. NET SETTLEMENT</b>	
1202. City/county tax/stamps:				1600. Loan Amount	\$ 58,200.00
1203. State tax/stamps:				1601. Plus Cash/Check from Borrower	\$
1204.				1602. Minus Total Settlement Charges (line 1400)	\$ 4,440.00
1205.				1603. Minus Total Disbursements to Others (line 1529)	\$ 48,700.00
<b>1300. Additional Settlement Charges</b>					
1301. Survey to				1604. Equals Disbursements to Borrower	\$ 5,060.00
1302. Pest inspection to				(after expiration of any applicable rescission period required by law)	
1303. Architectural/engineering services to					
1304. Building permit to					
1305.					
1306.					
1307.					
1400. Total Settlement Charges (enter on line 1602)		4,440.00			

Borrower(s) Signature(s):

X

**FEDERAL TRUTH-IN-LENDING DISCLOSURE  
REQUIRED UNDER SECTION 226.32 OF REGULATION Z  
(SECTION 32 NOTICE)**

**Lender:**       Loans 'R Us  
                  111 W. Commerce  
                  Capital Heights, USA

**Borrower(s) and Property Address:**

John and Jane Doe  
111 W. Main  
Anytown, USA

**Loan No.:**     EZ-AS-123

You are not required to complete this agreement merely because you have received these disclosures or have signed a loan agreement. If you obtain this loan, the lender will have a mortgage on your home. You could lose your home, and any money you have put into it, if you do not meet your obligations under the loan.

The Annual Percentage Rate on your loan will be 14.321 %.

Your regular monthly payment will be \$ 739.51 .

Your interest rate may increase. Increases in the interest rate could increase your payment. The highest amount your monthly payment could increase to is \$ n/a .

This loan includes a balloon payment of \$ 33,263.29 at the end of the loan term of ten (10) years.

The undersigned hereby acknowledge receipt of a completed copy of this disclosure at least three (3) business days (a business day is any calendar day excluding Sundays and federal legal public holidays) prior to consummation of this loan. "Consummation" means the time that each of the undersigned signs the loan documents required by the Lender in connection with this loan. If you have not received a completed copy of this disclosure at least three (3) business days prior to consummation, do not sign any of the loan documents required by the Lender in connection with this loan and contact the Lender and your mortgage broker immediately. This disclosure is neither a contract nor a commitment to lend.

June 8, 2001

June 8, 2001

**Borrower**

**Date**

**Borrower**

**Date**



## MORTGAGE NOTE

111 W. Main, Anytown, USA  
[Property Address]

### 1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received and which is secured by the above-listed property, I promise to pay U.S. \$ 60,000.00 (this amount is called "principal"), plus interest, to the order of the Lender. The Lender is Loans 'R Us. I understand that the Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

### 2. INTEREST

Interest will be charged on unpaid principal until the full amount of the principal has been paid. Interest will be calculated on the basis of a 12-month year and a 30-day month. I will pay interest at a yearly rate of 12.5%.

### 3. PAYMENTS

#### (A) Time and Place of Payments

I will pay principal and interest by making payments every month.

I will make my monthly payments on the first day of each month beginning on July 1, 2001. I will make these payments every month until I have paid all of the principal and interest and any other charges described below that I may owe under this Note. My monthly payments will be applied to interest before principal. If, on June 1, 2011, I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "Maturity Date."

I will make payments at Loans 'R Us, 111 W. Commerce, Capital Heights, USA or at a different place if required by the Note Holder.

#### (B) Amount of My Monthly Payments

My regular monthly payments will be in the amount of U.S. \$ 739.51. My final payment will be a balloon payment in the amount of U.S. \$ 33,263.29.

#### (C) Application of Payments

Payments received by the Note Holder will be applied in the following order: (i) prepayment charges due under this Note; (ii) interest due under this Note; (iii) principal due under this Note; and (iv) late charges due under this Note.

### 4. BORROWER'S RIGHT TO PREPAY

I have the right to make payments of principal at any time before they are due, together with accrued interest. A payment of principal only is known as a "prepayment."

If within 48 months from the date of execution of the Security Instrument I make a full prepayment or a partial prepayment as described herein, I will at the same time pay the Note Holder a prepayment charge. The prepayment charge will be equal to six (6) months advance interest on the amount of any prepayment which exceeds twenty percent (20%) of the original principal amount of this Note.

### 5. BORROWER'S FAILURE TO PAY AS REQUIRED

#### (A) Late Charges for Overdue Payments

If the Note Holder has not received the full amount of any monthly payment by the end of 15 calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be 5.0%

of my overdue payment of principal and interest. I will pay this late charge only once on each late payment.

Loan No.: EZ-AS-123

June 11, 2001

**(B) Default**

If I do not pay the full amount of each monthly payment on the date it is due, I will be in default. If I am in default, the Note Holder may require me to pay immediately the full amount of principal which has not been paid and all interest that I owe on that amount, together with any other charges that I owe under this Note or the Security Instrument. If any default continues for a period of thirty (30) days or more, I will pay interest at a rate of 15.5% until such time as any outstanding default is fully cured.

**6. HAZARD OR PROPERTY INSURANCE**

Unless I provide Note Holder with evidence of the insurance coverage required by my agreement with Note Holder, Note Holder may purchase insurance at my expense to protect Note Holder's interest in my collateral. This insurance may, but need not, protect my interests. The coverage that Note Holder purchases may not pay any claim that I make or any claim that is made against me in connection with the collateral. If Note Holder purchases insurance for the collateral, I will be responsible for the costs of that insurance, including interest and any other charges Note Holder may impose in connection with the placement of the insurance.

**7. SECURED NOTE**

In addition to the protections given to the Note Holder under this Note, a Mortgage, Deed of Trust or Security Deed (the "Security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses which might result if I do not keep the promises that I make in this Note. That Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note.

**WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED.**

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date

**U.S. Government Securities  
30-year Treasury Constant Maturities<sup>1</sup>**

11/1989	7.90	10/1993	5.94	09/1997	6.50
12/1989	7.90	11/1993	6.21	10/1997	6.33
01/1990	8.26	12/1993	6.25	11/1997	6.11
02/1990	8.50	01/1994	6.29	12/1997	5.99
03/1990	8.56	02/1994	6.49	01/1998	5.81
04/1990	8.76	03/1994	6.91	02/1998	5.89
05/1990	8.73	04/1994	7.27	03/1998	5.95
06/1990	8.46	05/1994	7.41	04/1998	5.92
07/1990	8.50	06/1994	7.40	05/1998	5.93
08/1990	8.86	07/1994	7.58	06/1998	5.70
09/1990	9.03	08/1994	7.49	07/1998	5.68
10/1990	8.86	09/1994	7.71	08/1998	5.54
11/1990	8.54	10/1994	7.94	09/1998	5.20
12/1990	8.24	11/1994	8.08	10/1998	5.01
01/1991	8.27	12/1994	7.87	11/1998	5.25
02/1991	8.03	01/1995	7.85	12/1998	5.06
03/1991	8.29	02/1995	7.61	01/1999	5.16
04/1991	8.21	03/1995	7.45	02/1999	5.37
05/1991	8.27	04/1995	7.36	03/1999	5.58
06/1991	8.47	05/1995	6.95	04/1999	5.55
07/1991	8.45	06/1995	6.57	05/1999	5.81
08/1991	8.14	07/1995	6.72	06/1999	6.04
09/1991	7.95	08/1995	6.86	07/1999	5.98
10/1991	7.93	09/1995	6.55	08/1999	6.07
11/1991	7.92	10/1995	6.37	09/1999	6.07
12/1991	7.70	11/1995	6.26	10/1999	6.26
01/1992	7.58	12/1995	6.06	11/1999	6.15
02/1992	7.85	01/1996	6.05	12/1999	6.35
03/1992	7.97	02/1996	6.24	01/2000	6.63
04/1992	7.96	03/1996	6.60	02/2000	6.23
05/1992	7.89	04/1996	6.79	03/2000	6.05
06/1992	7.84	05/1996	6.93	04/2000	5.85
07/1992	7.60	06/1996	7.06	05/2000	6.15
08/1992	7.39	07/1996	7.03	06/2000	5.93
09/1992	7.34	08/1996	6.84	07/2000	5.85
10/1992	7.53	09/1996	7.03	08/2000	5.72
11/1992	7.61	10/1996	6.81	09/2000	5.83
12/1992	7.44	11/1996	6.48	10/2000	5.80
01/1993	7.34	12/1996	6.55	11/2000	5.78
02/1993	7.09	01/1997	6.83	12/2000	5.49
03/1993	6.82	02/1997	6.69	01/2001	5.54
04/1993	6.85	03/1997	6.93	02/2001	5.45
05/1993	6.92	04/1997	7.09	03/2001	5.34
06/1993	6.81	05/1997	6.94	04/2001	5.65
07/1993	6.63	06/1997	6.77	05/2001	5.78
08/1993	6.32	07/1997	6.51	06/2001	5.67
09/1993	6.00	08/1997	6.58	07/2001	5.61

<sup>1</sup> Monthly release from [www.federalreserve.gov/releases/H15/data.htm](http://www.federalreserve.gov/releases/H15/data.htm)

## HOEPA/Illinois anti-predatory lending regs points and fees analysis

### (Example 1)

HOEPA fees include:

<u>Line</u>	<u>Charge</u>	<u>Rationale</u>
801	1,800.00	lender fee
803	600.00	lender fee/unreasonable charge
804	75.00	lender fee/unreasonable charge
807	1,000.00	broker fee
808	400.00	lender fee/junk fee
809	500.00	lender fee/junk fee
810	300.00	lender fee/junk fee

total = 4,675.00

HOEPA fees are 4,675.00. That is the numerator. But how do you get the denominator (Amount Financed)? The answer: Amount Financed = Principal - Prepaid Finance Charge.

Prepaid Finance Charge = all of the above HOEPA fees (including 803 and 804 *only* because they are unreasonable) + line 901 (prepaid interest of 450.00) = 5,125.00

Principal (60,000.00) - Prepaid Finance Charge (5,125.00) = Amount Financed (54,875.00)

HOEPA fees (4,675.00)/Amount Financed (54,875.00) = 8.5% (covered by HOEPA)

Illinois regs would also include line 811 (yield-spread premium of \$1,000), so for regs the fee calculation would be: 5,675.00/54,875.00 = 10.3% (violates 6% cap).

### (Example 2)

This time HOEPA fees total 2,675.00 (line 803 is a reasonable fee paid to a third-party and so is not included as a HOEPA fee.) The Prepaid Finance Charge is 3,125.00, and the Amount Financed (which includes line 803) is 55,075.00. So the HOEPA fees calculation is: HOEPA fees (2,675.00)/Amount Financed (55,075.00) = 4.9%. This is not a HOEPA loan.

Illinois regs would also include line 811 (yield-spread premium of \$1,000), so for regs the fee calculation would be: 3,675.00/55,075.00 = 6.67% (violates 6% cap).

## Regulators of Mortgage Lenders Operating in Illinois

### Office of Banks and Real Estate

Independent mortgage and finance companies (e.g., Ameriquest)

Bank-affiliated mortgage and finance companies (e.g., Citifinancial, First Franklin)  
unless first tier subsidiary of national bank based in Illinois or of federal thrift  
based in Illinois

State-chartered banks based in Illinois (e.g., Harris Trust and Savings Bank, Northern Trust)

Mortgage brokers

State-chartered thrifts (S&Ls and savings banks, e.g., Hoyne Savings Bank)

### Department of Financial Institutions

IL Consumer Installment Loan Act (CILA) licensees (mostly finance companies making smaller consumer loans – but some make mortgages also; possible overlap with licensees of OBRE) (e.g., Household Finance)

State-chartered credit unions

### Not regulated by State of Illinois [primary federal regulators in brackets]

National banks (e.g., Bank One NA, LaSalle Bank NA)

[U.S. Office of the Comptroller of the Currency]

Federal saving banks or thrifts (e.g., Washington Mutual FSB, Charter One FSB)

[U.S. Office of Thrift Supervision]

State banks chartered outside of Illinois (e.g., Consec Bank, chartered in Iowa)

[Federal Reserve Board (if member of Fed) or Federal Deposit Insurance Corporation]

First-tier mortgage/finance company subsidiaries of national banks based in Illinois  
[Federal Trade Commission; Office of the Comptroller of the Currency]

First tier mortgage/finance company subsidiary of federal thrifts based in Illinois  
[Federal Trade Commission; Office of Thrift Supervision]

Nationally chartered credit unions [National Credit Union Administration]

*Note: Federal Trade Commission has broad powers over mortgage and finance companies, even those licensed by State of Illinois, especially under the Equal Credit Opportunity Act. Also, the U.S. Department of Justice and U.S. Department of Housing and Urban Development have fair lending investigation and enforcement authority over lenders - especially under the Fair Housing Act. Also, the Illinois Attorney General has broad authority to enforce consumer protection laws.*

*Lenders are often subject to more than one regulator. Sometimes multiple regulators work cooperatively on the same institution. For example Illinois state-chartered banks are also regulated by the Federal Reserve or the FDIC. The FTC also has jurisdiction over independent and bank-affiliated mortgage companies regulated by OBRE.*

## Contact Information

### State Regulators

#### **Office of Banks and Real Estate**

[www.obre.state.il.us](http://www.obre.state.il.us)

310 South Michigan Avenue

Chicago, IL 60604

312-793-3000

Mortgage Banking Division

312-793-1409

#### **Department of Financial Institutions**

[www.state.il.us/dfi](http://www.state.il.us/dfi)

100 West Randolph St., Suite 15-700

Chicago, IL 60601

312-814-2000

Consumer Credit Division

312-814-5145

### Federal Bank Regulators

#### **Federal Reserve Bank**

[www.federalreserve.gov](http://www.federalreserve.gov)

Federal Reserve Bank of Chicago

230 South LaSalle Street

Chicago, Illinois 60604

312-322-5322

Community Affairs Division

Harry Pestine

312-322-5877

[www.chicagofed.org](http://www.chicagofed.org)

#### **Federal Deposit Insurance Corporation**

[www.fdic.gov](http://www.fdic.gov)

Chicago Regional Office

Division of Compliance and Consumer Affairs

500 West Monroe Street, Suite 3300

Chicago, IL 60661

312-382-7500

#### **Office of the Comptroller of the Currency**

[www OCC.treas.gov](http://www OCC.treas.gov)

Central District Office

One Financial Place, Suite 2700

440 South LaSalle Street

Chicago, IL 60605

312-360-8800

Consumer Affairs

Paul Ginger

312-360-8876

[paul.ginger@occ.treas.gov](mailto:paul.ginger@occ.treas.gov)

#### **Office of Thrift Supervision**

[www.ots.treas.gov](http://www.ots.treas.gov)

Chicago Regional Office

1 South Wacker Drive, Suite 2000

Chicago, IL 60606

312-917-5000

Compliance/Consumer Affairs Manager

Dennis Mervar

312-917-5067

### Other Resources

#### **Illinois Attorney General**

[www.ag.state.il.us](http://www.ag.state.il.us)

Chicago Office

100 West Randolph Street

Chicago, IL 60601

312-814-3000

Consumer Fraud Hotline

800-386-5438

#### **Department of Housing and Urban Development**

[www.hud.gov](http://www.hud.gov)

Chicago Office

77 West Jackson Blvd.

Chicago, IL 60604

Judith Heany

312-353-5680

[www.hud.gov/local/chi/index.html](http://www.hud.gov/local/chi/index.html)

#### **Federal Trade Commission**

[www.ftc.gov](http://www.ftc.gov)

Midwest Regional Office

55 East Monroe Street, Suite 1860

Chicago, IL 60603-5701

Consumer Complaint Number

877-FTC-HELP (382-4357)

#### **National Credit Union Administration**

[www.ncua.gov](http://www.ncua.gov)

Chicago Regional Office

4225 Naperville Road, Suite 125

Liste, IL 60552

630-955-4100

#### **U.S. Department of Justice**

[www.usdoj.gov](http://www.usdoj.gov)

Civil Rights Division

202-514-4713

### **Sponsors**

Woodstock Institute, 312-427-8070, [www.woodstockinst.org](http://www.woodstockinst.org)  
Legal Assistance Foundation of Metropolitan Chicago, 312-341-1070, [www.lafchicago.org](http://www.lafchicago.org)  
Neighborhood Housing Services of Chicago, Inc., 312-738-2227, [www.nhschicago.org](http://www.nhschicago.org)  
Chicago Lawyers' Committee for Civil Rights Under Law, 312-630-9744, [www.clccrul.org](http://www.clccrul.org)  
Southwest Organizing Project, 773-471-9008  
AARP, 312-458-3600, [www.aarp.org](http://www.aarp.org)

## **Key Internet Links**

### **Office of Banks and Real Estate Links**

Regulated Entities:

[www.obre.state.il.us/Regulated\\_Entities/Regulated\\_Entities.htm](http://www.obre.state.il.us/Regulated_Entities/Regulated_Entities.htm)

Mortgage Licensee List:

[www.obre.state.il.us/RESFIN/liclistc.pdf](http://www.obre.state.il.us/RESFIN/liclistc.pdf)

Regulated Institution Look-up:

[www.obre.state.il.us/CBT/REGENTY/Btreg.htm](http://www.obre.state.il.us/CBT/REGENTY/Btreg.htm)

Regulated Thrift Look-up:

[www.obre.state.il.us/RESFIN/2001%20Directory/dr-cover01.htm](http://www.obre.state.il.us/RESFIN/2001%20Directory/dr-cover01.htm)

### **Department of Financial Institutions Links**

Consumer Installment Loan Act Licensee List:

[www.state.il.us/dfi/Licensees.htm](http://www.state.il.us/dfi/Licensees.htm)

State Chartered Credit Unions:

Not yet available

### **Other Useful Links**

Truth In Lending Act (Regulation Z)

[www.access.gpo.gov/nara/cfr/waisidx\\_01/12cfr226\\_01.html](http://www.access.gpo.gov/nara/cfr/waisidx_01/12cfr226_01.html) (For HOEPA, see Sec. 226.32)

Federal Consumer Information Center

[www.pueblo.gsa.gov](http://www.pueblo.gsa.gov) (see Housing section)

Other consumer information from the Federal Government

[www.consumer.gov](http://www.consumer.gov) (see Home & Community section)



NEIGHBORHOOD HOUSING SERVICES OF CHICAGO INC.  
747 NORTH MAY STREET, CHICAGO, IL 60622  
(312) 738-2227 Fax (312) 738-2491

## Overview of Illinois Anti-Predatory Lending State Regulations and Provisions

In December 2000, Governor Ryan and the two state regulators, the Office of Banks and Real Estate (OBRE) and the Department of Financial Institutions (DFI), introduced anti-predatory lending regulations modeled after the Chicago anti-predatory lending ordinance. The Joint Committee on Administrative Rules (JCAR) approved the regulations on April 17, 2001, and they went into effect May 17, 2001.

The regulations define predatory loans as high cost loans involve one or more of the predatory practices listed below.

### Definition of high cost loans

A high cost loan is defined as one that as a high interest rate and/or high fees. An Interest (or, APR) Trigger and a Fee Trigger have been identified.

1.) **First Mortgages:** The Annual Percentage Rate is the above current yield<sup>1</sup> on Treasury securities of similar term + 6% (Approximately 11.6 % for a 30 year loan, as of July, 2001)

**Second Mortgages:** The Annual Percentage Rate is at or above current yield on Treasury securities of similar term + 8% (Approximately 13.6 % for a 30 year loan, as of July, 2001)

2.) **Fees** are 5% of the total loan or \$800 (whichever is greater)

- Yield spread premiums, or fees paid to brokers by the mortgage lender, are considered part of fees.
- Single-premium credit insurance is considered part of fees.

### List of predatory practices

If a loan meets one of the two triggers, the following practices are prohibited:

- ◆ Any prepayment penalty after 3 years of origination
- ◆ Prepayment fees of more than 3% in year 1, 2% in year 2, or 3% in year 3.
- ◆ Balloon payments whose term is less than or equal to 15 years
- ◆ Flipping (refinancing within 12 months without tangible benefit to borrower)
- ◆ Loans not based on the borrower's ability to repay (mortgage payments, insurance, property taxes, and other debt cannot exceed 50% of borrower's monthly income)
- ◆ ~~Financing more than 6% in fees~~
- ◆ Financing single premium credit insurance
- ◆ ~~Fraudulent and deceptive practices~~
- ◆ Negative amortization (when loan principal increase because payments only pay off the interest)
- ◆ Negative equity (loan amount cannot exceed the equity of the property securing the loan plus 5% in closing costs of the total loan amount)
- ◆ Direct payments to home improvement contractors

<sup>1</sup> Date of treasury rate should be 15<sup>th</sup> day of month preceeding application date.



The regulations require lenders to verify the borrower's ability to repay. (The borrower prepares the statement in a form prescribed by the Commissioner and submits it to the lender).

### Other Provisions

The Mortgage Awareness Program (MAP) is created.

- ◆ Counselors meet with clients to discuss income, expense statements and terms of loans they are considering
- ◆ Prior to making a loan, the lender must inform the borrower of MAP; borrower can waive MAP
- ◆ Upon loan approval, the lender must notify the borrower of the option of a Third Party Review (subject to funding availability at DFI/OBRE)
- ◆ If payment is more than 30 days late, the lender must notify the borrower that consumer credit counselors exist and how to get a list of them
- ◆ If within 15 days of mailing the notice, a lender is notified in writing by an approved credit counselor that the borrower is seeking counseling, then no legal action may be taken by the lender for 30 days (OBRE Rules do not specify the 15-day time limit)
- ◆ If a debt management plan is agreed to and complied with, no legal action may be taken by the lender

The Rules issued by OBRE also include Reporting Requirements.

- ◆ Every six months, lenders must report default and foreclosure data on one to four family conventional mortgage loans secured by Illinois real estate. An officer of the lender shall sign the loan.
  - ◆ Lenders must report:
    - ◇ Average quarterly dollar amount and number of loans
    - ◇ Average quarterly dollar amount and number of loans in default over 90 days
    - ◇ Dollar amount and number of foreclosures on loans completed during reporting period
    - ◇ Whether any of the loans were originated less than 18 months before a completed foreclosure
    - ◇ Whether any of the loans had a note rate greater than 10 percent for the first lien mortgage loans or greater than 12 percent in the case of a junior lien on a complete foreclosure

### **Third Party Review (subject to funding availability)**

Those approved for high-cost loans must be offered the opportunity for independent review of their loan by OBRE or DFI. Such review will involve:

- ◆ OBRE shall provide the borrower with a review of worksheets submitted by the borrower and shall inform the borrower of the amount they can afford to spend on monthly mortgage payments
- ◆ OBRE shall review loan information pertaining to balloon payments, adjustable interest rates, etc. and shall inform the borrower of such items
- ◆ Results of the review shall be written report, with signature of the borrower. Copy shall be submitted to the lender prior to closing of loan
- ◆ If the loan does not make economic sense to the borrower, the reviewer shall make note of this. This will enable the borrower to withdraw from a contemplated loan with no financial penalty.

## TILA/HOEPA FEES CHECKLIST

Type of Fee	Is it a Prepaid Finance Charge?	Is it a HOEPA Fee?
loan origination fee	yes <sup>1</sup>	yes <sup>2</sup>
loan discount	yes	yes
appraisal/inspection fee	if not BFR <sup>3</sup>	if not BFR or if paid to BLA <sup>4</sup>
credit report	if not BFR	if not BFR or if paid to BLA
courier/delivery fee	if charged or required by L <sup>5</sup>	if charged or required by L
tax service fee	yes	yes
underwriting fee	yes	yes
processing fee	yes	yes
flood cert	if not BFR	if not BFR or if paid to BLA
doc prep fee	if not BFR	if not BFR or if paid to BLA
mortgage broker fee	yes <sup>6</sup>	yes <sup>7</sup>
yield spread premium	no <sup>8</sup>	doubtful <sup>9</sup>
per diem interest	yes	no
property ins escrow	if not BFR	if not BFR or if paid to BLA
property tax escrow	if not BFR	if not BFR
settlement/closing fee	if not excludable under § 226.4(c)(7) <sup>10</sup>	if not excludable under § 226.4(c)(7)
abstract/title search	if not BFR	if not BFR or if paid to BLA
attorney's fee	if not excludable under § 226.4(c)(7)	if not excludable under § 226.4(c)(7)
title insurance	if not BFR	if not BFR or if paid to BLA
recording fees	if not paid to public officials <sup>11</sup>	if not paid to public officials
single premium credit insurance	if not voluntary	if not voluntary (or for loans closed after 09/30/02) <sup>12</sup>
other charges	see endnotes	see endnotes

## **Endnotes (notes on how to construe loan charges under 12 C.F.R. §§ 226.4 and 226.32)**

1. For TILA purposes, the finance charge "includes any charge payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to or a condition of the extension of credit." § 226.4(a). Any fee paid to the lender is a finance charge unless specifically excluded under § 226.4(c), (d) or (e).
2. Anything that is a prepaid finance charge is also a HOEPA fee, except for prepaid (e.g., per diem) interest. § 226.32(b)(1)(i).
3. Many of the fees charged to third parties are excluded from the finance charge under § 226.4(c)(7), which lists 5 categories of real-estate related fees, such as appraisal fees. These fees are excluded from the finance charge if they are "bona fide and reasonable" ("BFR"), i.e., are charges for actual services performed and are not artificially inflated. Otherwise, the inflated portion of the fee is a finance charge. Arguably the whole fee is, based on the plain language of the regulation, but there is no case law to back up this approach.
4. The fees listed in § 226.4(c)(7) are counted as HOEPA fees if they are not BFR. They are *also* counted as HOEPA fees if paid to a broker, lender, or lender affiliate ("BLA"), *even if* they are bona fide and reasonable.
5. Courier fees charged by the lender are counted. Courier fees charged by a third-party closing agent are counted only if required by the lender or if the lender retains a portion of charge. This would be the case if the charge were artificially inflated (e.g., a \$50 charge for a Fed Ex).
6. All fees charged by a mortgage broker are finance charges. § 226(a)(3).
7. All fees charged by a mortgage broker are HOEPA fees. § 226.32(b)(1)(ii).
8. The borrower pays for the yield spread premium ("YSP") out of an increased rate of interest. This amount is not added to principal, like prepaid finance charges; rather, it is captured in the interest portion of the finance charge.
9. The language of § 226.32(b)(1)(ii) would seem to say yes ("all compensation paid to mortgage brokers"). But the language of § 226.32(a)(1)(ii), which also applies, is trickier, i.e., is the YSP "payable by the consumer at or before loan closing"? In its Official Commentary, the Federal Reserve Board seems to say no, if not in the clearest of terms. Judge Siebel ruled this way ("no") on 4/11/02, although in another case he has ruled (inconsistently) that inclusion of the YSP as a HOEPA fee is a question of fact.
10. The closing fee is included under § 226.4(a)(2) if retained by the lender (which it usually is not) or if the service in question is required by the lender (which it usually is; lenders typically out-source their closings). But this fee can be excluded if it fits one of the exceptions in § 226.4(c)(7). The lender is most likely to argue for subsection (ii), "fees for preparing loan-related documents." But the closing fee must be *primarily* for an excluded activity, and lenders may not charge for preparing the HUD-1 Settlement Statement or the TILA Disclosure Statement. It's a fact question; the borrower's chances for inclusion in the finance charge are especially good if the lender has imposed a separate doc prep fee.
11. Recording fees are excludable under § 226.4(e) to the extent they are actually paid to public officials. Fake or padded amounts are finance charges.
12. Lender must meet the notice and signature requirements of § 226.4(d) to demonstrate voluntariness (and the borrower may still have a claim if they say they were forced to sign or did not understand). For loans closed on or after 10/1/02, single credit premiums will be treated as HOEPA fees.